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DEPARTMENT PASS TO USTR FOR WILLIAM JACKSON

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TAGS: [ECON](#) [EINV](#) [ETRD](#) [PREL](#) [PGOV](#) [SF](#)
SUBJECT: ANC TREASURER GENERAL MATHEWS PHOSA DISCUSSES WAYS
TO STRENGTHEN THE BILATERAL RELATIONSHIP

REF: PRETORIA 347

Classified By: Classified by Charge Helen LaLime. Reasons 1.5 (b) and
(d)

Summary

1. (C) ANC Treasurer General Dr. Mathews Phosa met on April 2 with Charge and AmCham representatives to discuss ways to strengthen the bilateral relationship and promote U.S. investment. Dr. Phosa encouraged a closer relationship between the U.S. Embassy and the ANC Foreign Policy Committee; closer ties between AmCham and BUSA, South Africa's largest business chamber; the initiation of company-to-company relations in the areas of education, health, security, housing and public infrastructure; and the establishment of a center for excellence to establish best practices in the areas of ICT and financial management. The Charge presented the recently signed TIDCA, the upcoming Corporate Council for Africa Business Summit in Washington, and an ICT proposal to help the government improve service delivery in the areas of education, health and crime as three areas where immediate steps could be taken. There was also discussion of opportunities for U.S. companies to assist the Ministry of Home Affairs. Dr. Phosa said recently appointed Minister of Health Hogan will stay in her position in a Zuma government. Dr. Phosa cited a recent DA poll that predicted that the ANC would win 60 percent of the vote in the national elections on April 22 and that the DA would emerge as the only significant opposition party. He also predicted that the provincial elections in the Western Cape, Gauteng and KwaZulu Natal provinces would all be "highly contested." The purpose of the meeting was to follow up on Dr. Phosa's February 21 statement that he would like to establish a strategic partnership with the U.S. and attract additional U.S. investment. The fact that he would take the time out of his campaign schedule to discuss the Embassy's proposals and his positive response to them are further indications of his seriousness. The next step in our overall effort to strengthen the bilateral relationship will be to ensure that the U.S. has a sufficiently high-ranking U.S. delegation to attend South Africa's presidential inauguration on May 9.
End Summary.

South Africa Identifies with U.S. Desire for Change

2. (SBU) ANC Treasurer General Mathews Phosa met with Charge and AmCham representatives to discuss ways to strengthen the bilateral relationship on April 2. Phosa was accompanied by long-time friend and Ernst & Young Accounts & Markets Officer Pieter Rootman. The Charge was accompanied by Commercial Counselor, Deputy Senior Commercial Officer, Economic Counselor (notetaker) and Deputy Economic Counselor. The AmCham representatives included President Doug Franke, former president Roger Crawford, and Executive Director Carol O'Brien. The meeting took place in the Ron Brown Commercial

Center in Johannesburg and was the last official meeting to take place in that office before the Commercial Section was transferred to the new U.S. Consulate in Johannesburg the following day.

Meeting with the Afrikaners

13. (C) Dr. Phosa apologized for arriving an hour late, explaining that he had accompanied ANC President Jacob Zuma to a meeting with 80 Afrikaner church, farming, women's and Qto a meeting with 80 Afrikaner church, farming, women's and cultural organizations in a nearby Johannesburg hotel. A number of sensitive issues had been raised and Zuma had asked Dr. Phosa to stay while these issues were addressed. Phosa added that Zuma had "given the Afrikaners a lot of respect" and that the meeting had gone well. He also said that some of the Afrikaner organizations had not spoken to each other in many years. He did not mention what the "sensitive issues" were. (Comment: Press reports reported on the following day that Zuma had told the Afrikaners that, "Of all the white groups that are in South Africa, it is only the Afrikaners that are truly South African in the true sense of the word. Up to this day, they 9the Afrikaners) don't carry two passports, they carry one. They are here to stay" (unlike English-speaking whites who often carry two passports). To make sure they didn't miss the point, he added, "It is the only white tribe in a black continent or outside of Europe that is truly African -- the Afrikaner." These remarks provoked intense debate by private citizens and opposition politicians in the local editorial pages in the following week. End Comment.)

What the ANC Would Like from the U.S.

14. (SBU) Rootman used the minutes just prior to Dr. Phosa's arrival to discuss four things that the ANC would like from the U.S.:

-- First, Dr. Phosa would like to encourage a closer relationship between the U.S. Embassy and the ANC Foreign Policy Committee on how the bilateral relationship could be developed. This relationship should be with the ANC Foreign Policy Committee, since it was not clear whether Foreign Minister Nkosazana Dlamini Zuma would be staying on in her current capacity. (Comment: Dlamini Zuma is Zuma's ex-wife and she was close to former President Mbeki, and there are many who do not think she will be retained in a Zuma government. Additionally, Dr. Phosa urges the Embassy to engage with the ruling party, rather than the government, as the best way to improve bilateral relations. End Comment.)

-- Second, Dr. Phosa would like to develop a closer chamber-to-chamber relationship between AmCham and Business Union South Africa (BUSA), South Africa's largest business chamber. Dr. Phosa later specifically stated that BUSA was the "preferred counterpart" and discouraged any dealings with the new black professional organization, the Black Management Forum (BMF), on the grounds that the BPO was "racial". "I have a problem with that," he said.

-- Third, Dr. Phosa would like to initiate company-to-company relationships in the areas of education, health, security, housing, and public infrastructure. Hopefully, there was "enough space" to find the necessary counterparts to initiative discussions.

-- Fourth, Dr. Phosa would like to establish a center for excellence to adopt global best practices in the areas of information, communications and technology (ICT), financial management, and one or two other areas. Dr. Phosa later noted that President Mbeki has promoted a center of excellence in the University of South Africa (UNISA) where academic papers were written on solutions to African problems.

15. (SBU) Rootman continued that he had heard of the ineffectiveness of the Gore-Mbeki committee structures that had been established during the second Clinton administration. "Nothing came of it and we want to avoid that," he said, "Perhaps we could use Ernst & Young to privatize the Secretariat."

The ANC Is Very Happy with the Relationship

16. (SBU) Dr. Phosa reiterated the importance of developing the bilateral relationship at different levels, including the U.S. Embassy-ANC, AmCham-BUSA, and company-to-company relationships. Turning to the company-to-company relationships, Dr. Phosa said, "We appreciate the (U.S.) investment in this country. We are also aware of the special dispensation that has been given to U.S. companies to increase their investments in equity equivalents where it is the U.S. company's global policy not to sell shares to local partners." (Comment: AmCham took a leading role in persuading the South African government to provide for equity equivalents. Failure to do so would have forced a number of large U.S. companies that have global policies against the sale of equity to local partners to leave the South African market. End Comment.)

17. (SBU) Dr. Phosa recognized that the U.S. government had been heavily involved in health issues. He said he would like the U.S. government to look at health, energy and water on the way forward. He predicted that water would stand in the way of future development because South Africa is such a water-poor country. Dr. Phosa concluded that, "We are very happy with the relationship with the U.S."

Key Areas for Future Cooperation

18. (SBU) The Charge identified three immediate opportunities for increased bilateral trade and investment. Fact sheets and supporting documents were presented to both Dr. Phosa and Rootman:

-- TIDCA. The U.S. and the South African governments had signed the U.S.-SACU Trade, Investment and Development Cooperative Agreement (TIDCA) during the annual AGOA meeting in Washington in July 2008, after two years of negotiations. Very little had been accomplished since that time, but the next step was to establish working groups on technical barriers to trade (TBT) and customs cooperation. The working groups on trade facilitation and sanitary and phytosanitary measures (SPS) would take more time to develop. The Economic Counselor added that since it had taken two years to negotiate the TIDCA, using the ready-made TIDCA would be the quickest way to promote bilateral trade and investment.

-- CCA. The Corporate Council for Africa (CCA) would be hosting its bi-annual U.S.-Africa Business Summit in Washington between September 29 and October 1 and approximately 3,000 delegates are expected to attend the event. Seventeen African Heads of State attended the last Business Summit that took place in Washington in 2005 and large African delegations are expected from dozens of African countries in 2009. The Commercial Counselor added that since the CCA was going to be so well attended by business persons and government officials, it would be in South Africa's interest to send a large delegation led by a high-level official.

-- ICT Proposal. The U.S. Embassy and AmCham had noted that the ANC had articulated at its December 2007 Polokwane Conference that its highest priorities were better service delivery in the areas of education, health, crime, rural development and employment. The U.S. Embassy and AmCham had met with U.S. ICT companies and had developed a proposal

whereby U.S. ICT companies would use IT to improve service delivery in the areas of crime, health care and education. The first step would be to meet with IT managers in the relevant ministries to understand the ministries' most important priorities. The ICT companies would then draw upon best practices from around the world to prepare recommendations to address these priorities.

Dr. Phosa's Response

¶9. (SBU) Dr. Phosa said he liked all three proposals, especially the TIDCA and ICT proposal. Responding to TIDCA, he offered that no one in the South African government would take any decisions about TIDCA until after the April 22 national elections. The new government also needed to take ownership of the TIDCA if anything was to be accomplished. He then promised to review the TIDCA material and present it to Collins Chabane, a former Limpopo Province politician who is leading the ANC transition team that is responsible for the new administration's plans and "who might become the Minister of the Presidency" in a Zuma government. Addressing the CCA, Dr. Phosa said the CCA should "pitch it high" and send an invitation to Zuma. Concerning the ICT Forum, Dr. Phosa said he appreciated the importance of the initiative because he was the Chairman of the Board of HCI, a South African IT company that uses U.S. IT products. He promised to present the ICT Forum materials to the Chairman of the State Information Technology Agency (SITA), which is the state organization responsible for IT purchases for the various ministries. Dr. Phosa summarized his response to the various ministries. Dr. Phosa summarized his response to the U.S. proposal by noting that the South African government's greatest challenge was service delivery, not money. The implication was that if ICT could be used to enhance service delivery, money should not be the issue.

"The Health Minister Will Stay"

¶10. (SBU) Rootman said he would like to introduce the U.S. ICT companies to the Ministry of Home Affairs, "where there is a lot of work to do." He said the U.S. company McKinzie already had a contract to determine the scope of the problem and that Ernst & Young were there "to do a rescue operation." However, the ministry still needs ICT solutions.

¶11. (SBU) The Charge added that bilateral cooperation was already good with the Ministry of Health and with the military and was starting to take place with the police. In fact, the U.S. Embassy had two teams from the Department of State in country that very week helping the South African Police Service determine requirements for U.S. provided police training. Dr. Phosa appeared mildly surprised and said, "I am happy to hear that." The Charge continued that the U.S. government was very interested in continuing these types of bilateral cooperation and would like to move forward.

¶12. (C) Former AmCham President Crawford remarked that recently appointed Minister of Health Barbara Hogan "had opened up a new space" in the health sector. Dr. Phosa pleasantly responded by saying, "I know what you are inquiring. Yes, she will stay." (Comment: One local newspaper recently published a headline referring to Hogan as a "Dead Minister Walking" after her public criticism of the government's refusal to issue a visa to the Dalai Lama. Simultaneously, some health sector participants have privately expressed concern that the popular minister would be sacked because of her remarks. End Comment.) Dr. Phosa then added, "We need doctors that are linked by IT with clinics and rural villages. We also need clinics. There are a number of things which must happen before the linkages can occur."

Expanding U.S. Investment

¶13. (SBU) The Commercial Counselor reported that there was a large amount of U.S. investment that was poised to come to South Africa, both in the form of portfolio investment and foreign direct investment. He then provided a summary of the most important recent and prospective U.S. investments in the country, including the \$600 million SEACOM fiber-optic cable that is scheduled for conclusion on June 17, Teletech's establishment of a major call center in Cape Town, Proctor & Gamble's new personal products factory outside of Johannesburg, Ford's \$215 million project to produce a new-generation pickup in Silverton and a new diesel engine in Struandale, the \$1 billion feasibility study that KBR is preparing for Petro SA's proposed \$11 billion petroleum refinery in COEGA, Petro SA's search for a potential U.S. partner in the same refinery, and Westinghouse's plans to bid on South Africa's proposed \$30 billion nuclear reactor project. Dr. Phosa concluded this part of the discussion by encouraging the U.S. Embassy and AmCham teams to liaise with Rootman on all of the above issues "because he does not get locked into meetings."

A Preview of the Elections Results

¶14. (C) Dr. Phosa ended the meeting by providing a summary of a recent election poll and his own prediction of the April 22 national election results. He said these April 22 elections "are going to be very big," more important than anything since the 1994 elections. They are also going to be very different than the 1994 elections, as they are going to be more modernized. The Sunday Times polls "are way off." According to an unreleased DA party poll, the ANC will get 60 percent of the vote. The DA will get 16 percent, COPE 3 percent, ID 2 percent and the IFP and UDM parties will be phasing out of existence. As a result, the DA will be the only serious opposition in the country. As for the provincial votes, the Western Cape will be "highly contested," with the DA leading the results. Gauteng will be highly contested, "but not unreasonably" because the ANC had never gotten a large majority in that province. KwaZulu Natal will also be highly contested because the space is open and all the parties are contesting the vote.

Comment

¶15. (C) The purpose of this meeting was to follow up on Dr. Phosa's statement at the February 21 AmCham Annual General Meeting and his subsequent February 23 editorial in the Johannesburg Star that he would like to establish a strategic partnership with the U.S. and attract additional U.S. investment. The fact that he would take the time out of his campaign schedule to discuss the Embassy's proposals and his positive response to them are further indications of his seriousness. Dr. Phosa's prediction that the ANC may not realize the two-thirds majority its most strident supporters are predicting appears realistic, as does his prediction that the ANC may lose control of the Western Cape. In a separate conversation on April 3, DFA Director of the Americas Fadl Nacerodien told Economic Counselor that Minister of Foreign Affairs Dlamini Zuma was "very pleased" with her meeting with Secretary Clinton in Washington on March 19. She had hoped that the inevitable disagreements on multilateral issues would not overshadow the potential for improving the bilateral relationship and was relieved that the focus of the meeting was on the bilateral relationship. The next step in the USG's overall effort to strengthen the bilateral relationship should be to ensure that the U.S. has a sufficiently high-ranking U.S. delegation to attend South Africa's presidential inauguration on May 9. Ideally, that delegation would also include the CEOs of some of the above-mentioned U.S. companies that are in the process of making major investments in South Africa.

LA LIME